

Asian Strategic Bond Fund (“ASB”)

Important note:

1. BEA Union Investment Asian Strategic Bond Fund (the “Fund”) seeks medium to long term capital growth and regular income by primarily (i.e. at least 70% of its net assets value) investing in debt securities that are (a) denominated in Asian currencies, or (b) issued or guaranteed by Asian governments or entities which are incorporated in Asia or have significant operations or assets in, or derive significant portion of revenue or profits from Asia, and denominated in USD or other currencies including Asian currencies.
2. The Fund is subject to general investment risk, Asian market concentration risk, emerging markets risk and currency risk.
3. The Fund invests in debt securities and are subject to risks in interest rates, credit/counterparty, downgrading, below investment grade and non-rated securities, volatility and liquidity, valuation and sovereign debt and credit rating which may adversely affect the price of the debt securities.
4. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. Distributions paid out of capital amount to a return or withdrawal of part of the unitholder's original investment or from any capital gains attributable to that original investment. Such distribution may result in an immediate reduction of the net asset value per unit.
5. In terms of currency hedged class units, adverse exchange rate fluctuations between the base currency of the Fund and the class currency of the currency hedged class units may result in a decrease in return and/or loss of capital for unitholders. Over-hedged or under-hedged positions may arise and there can be no assurance that the currency hedged class units will be hedged at all times or that the manager will be successful in employing the hedge.
6. RMB is currently not a freely convertible currency as it is subject to exchange controls and restrictions. Non-RMB based (e.g. Hong Kong) investors are exposed to foreign exchange risk and there is no guarantee that the value of RMB against the investors' base currencies (for example HKD) will not depreciate. Any depreciation of the RMB could adversely affect the value of investors' investments.
7. The Fund may use financial derivative instruments for hedging and investment purposes which may not achieve the intended purpose and may result in significant losses. Risks associated with derivative instruments include counterparty/ credit risk, liquidity risk, valuation risk, volatility risk and over-the-counter transaction risk.
8. Investors should not make an investment decision based solely on this material.

★★★★

Morningstar Overall Rating¹

Annual Review and Outlook for 2021

Asian bonds supported by capital inflow from rest of the world

Weak US Dollar supports the value of Asian currencies

Asian high-yields are expected to outperform investment-grades



Fund Features:

- The Fund adopts flexible allocation in Asian investment grade / high yield bonds, diversifying into different Asian countries, sectors, and currencies.
- The Fund invests not more than 50% in Asian high yield bonds in general conditions.

Fund Performance in 2020

Last year, the Asian Strategic Bond Fund delivered a growth of 5.22%² and dividend pay-out of 4.9% on average³. The key attributors were:

- **Yield-hunting investors drive capital flow into Asia market:**

Central banks around the world persisted monetary easing with Fed implemented the average inflation target policy implying the interest rate will stay low till 2023. Because of the low or negative interest rate of treasury bonds of developed western countries, investors are hunting for yield premiums. Asian corporate bonds offer yield premium over their counterparts in U.S. and the emerging markets therefore attracted capital inflow since last April.

- **Investment-grades as the core to manage market volatility:**

The investment markets and worldwide economies were severely hit by COVID-19 in Q1 last year. The quality investment-grade bonds tend to be less vulnerable to credit risks and outperformed high-yields last year. The portfolio deployed investment-grades as core holding to maintain stable capital growth.

- **RMB, South Korean Won (SKW) and Indonesian Rupiah (IR) strengthened on the back of weak US Dollar:**

The monetary policy run by the U.S. Fed led to a low-interest-rate environment and weakened US Dollar. The early recovery of Chinese economy contributed to the appreciation of RMB. In the second half of last year, the exports and commodity market revived in South Korea which benefited SKW and IR.

Looking Forward to 2021

- **Chinese property bonds continue to be the focus:**

We continue to like Chinese property as the funding rules implemented by Chinese government is expected to deleverage the Chinese property issuers and mitigate the default risk. The contract sales of Chinese property went well with the economic recovery in the second half of last year and there might be opportunities for M&A activities which drives up the value of the industry.

- **Increases the allocation of high-beta BBB investment-grade bonds:**

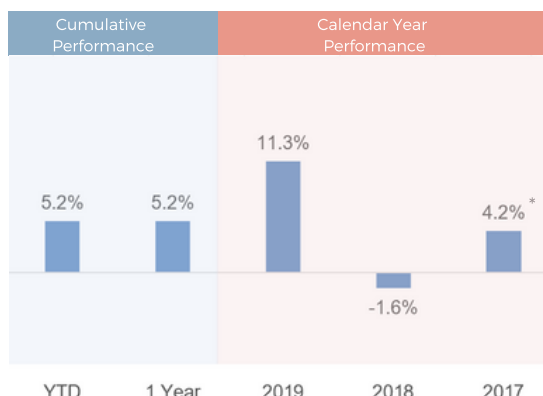
With the speedy economic recovery of Asia that commodity prices are bouncing back, we are constructive on high-beta Indonesian and Indian commodity corporate bonds.

- **Prefer bonds with shorter duration when yield curve is likely steepening:**

With economies expected to gain back a positive growth and the interest rate is going to normalize, we expect the US Treasury yield curve is likely to steepen. We prefer the bonds with shorter duration as it's less sensitive to interest rate change.

Performance and Dividend

Performance²: A USD (Distributing)



* Since launch till 31 December of the same year.
A USD (Distributing) launched on 24 February 2017.

December 2020	Dividend per Unit	Annualized Dividend Yield ⁴
A USD (Distributing)	US\$ 0.04010	4.8%
A HKD (Distributing)	HK\$ 0.40100	4.8%
A AUD Hedged (Distributing)	AU\$ 0.03760	4.8%
A RMB Hedged (Distributing)	RMB 0.58300	7.1%

Recent Award



Top Investment Houses in Asian G3 Bonds Rank 7 (Hong Kong)⁵



One of the Top Investment Houses in Asian Local Currency Bonds (Hong Kong)⁶

Fund code

	ISIN	Bloomberg
A USD (Accumulating)	HK0000319381	BEABAU HK
A USD (Distributing)	HK0000319340	BEABAU HK
A HKD (Distributing)	HK0000319357	BEABHD HK
A AUD Hedged (Distributing)	HK0000319365	BEAAHD HK
A RMB Hedged (Distributing)	HK0000319373	BEARHD HK

Source of the fund information: BEA Union Investment Management Limited, as at 31 December 2020.

1. ©2020 Morningstar. All Rights Reserved. Data as of 31 December 2020. The rating is for A USD (Accumulating).

2. Source: Lipper, as at 31 December 2020. The quoted NAV is for A USD (Distributing) launched on 24 February 2017, performance is calculated in the respective class of denominated currencies on a NAV to NAV basis. Gross income is re-invested.

3. Source: BEA Union Investment. The mentioned dividend yield is for A USD (Distributing), and is the sum of the monthly annualized dividend yield for the past 12 months, from 1 January to 31 December 2020 (12 dividends), divided by 12. Annualized dividend yield = (dividend of the current month x 12) / last month end NAV x 100%. Please refer to dividend notice available on website for dividend composition information and details. Dividend only applies to distributing classes and is not guaranteed. Past dividend record is not indicative of future dividend likely to be achieved. Please note that a positive distribution yield does not imply a positive return. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. Distributions paid out of capital amount to a return or withdrawal of part of the unitholder's original investment or from any capital gains attributable to that original investment. Such distribution may result in an immediate reduction of the net asset value per unit.

4. Annualized dividend yield = (dividend of December x 12) / last month end NAV x 100%. Please refer to dividend notice available on website for dividend composition information and details. The manager may at its discretion make distributions from income and/or capital in respect of the distributing classes of the Fund. Such distribution may result in an immediate reduction of the net asset value per unit. Dividend only applies to distributing classes and is not guaranteed. Past dividend record is not indicative of future dividend likely to be achieved. Please note that a positive distribution yield does not imply a positive return. Investors should not make any investment decision solely based on information contained above. You should read the relevant offering document (including the key facts statement) of the Fund for further details including the risk factors.

5. Source: The Asset, 2020 Research for Asian G3 Bonds, October 2020.

6. Source: The Asset, 2020 Research for Asian Local Currency Bonds, October 2020.

Investments in the Fund are subject to investment risks, including the possible loss of the principal amount invested. For full details and risk factors of the Fund, please refer to the explanatory memorandum of the Fund. Investors should also read the explanatory memorandum of the Fund for detailed information prior to any subscription. The information contained herein is only a brief introduction to the Fund. Investors should be aware that the price of units may go down as well as up as the investments of the Fund are subject to market fluctuations and to the risks inherent in all investments. Past performance is not indicative of future performance. The information contained in this document is based upon information which BEA Union Investment Management Limited considers reliable and is provided on an "as is" basis. This document does not constitute an offer, recommendation or solicitation to buy or sell any securities or financial instruments. The Fund has been authorized by the Securities and Futures Commission ("SFC") in Hong Kong. SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors. This material and the website have not been reviewed by the SFC in Hong Kong.

Issuer: BEA Union Investment Management Limited

